

- **The increase in natural gas consumption in the electric power sector over the past few years has resulted from building new gas-fired electric generators across the country.** In 2001 alone, more than 40,000 megawatts of efficient, gas-fired electric power generation was placed into service. Gas-fired turbines have become the favored new source of electricity for their capability to start up quickly during peak demand periods.
- **Total natural gas consumed in the electric power sector is now roughly 26 percent of total deliveries to consumers in the country, compared to approximately 20 percent in 1997.** In terms of volumes consumed by sector, natural gas consumption for electric power generation is second only to industrial consumption.

Natural Gas End Use Prices Were Near Record Levels

- **End use consumer prices increased in each sector of the natural gas market in 2001 (Figure 5).** Prices climbed 24 percent in the residential sector, 28 percent in commercial sector, 19 percent in the industrial sector, 19 percent in the vehicle fuel use sector, and nearly 7 percent in the electric utilities sector. This is the second straight year in which prices increased in each of the sectors, and the third straight year of price hikes in the electric utilities sector. The smaller relative increases in the prices paid by the electric utilities and industrial sectors relative to the prices paid in the commercial and residential sectors can likely be attributed to more flexibility in fuel consumption, and the economic slowdown during 2001, which would have weakened demand for natural gas in these sectors, ameliorating any potential price increase.
- **Residential and commercial consumers continued to pay the highest prices for natural gas, \$9.64 and \$8.43 per Mcf, respectively.** This reflects the limited options in service and the service reliability required during peak demand periods.
- **Industrial companies and electric utilities are large-volume customers with relatively high load factors, which enable them to take advantage of economies of scale in natural gas purchases.** Additionally, they are typically in a better position to elect

Figure 5. Natural Gas Prices by Major Consuming Sectors

